

Message Text

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PAGE 01 PORT O 02941 191609Z

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ACTION ARA-10

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SUBJECT: INDUSTRIAL DEVELOPMENT AND EXPORT FINANCING:

TRINIDAD LOOKS TO JAPAN

REF: A) POS 2608; B) POS 2455; C) POS 2225

ALSO FOR COMMERCE AND EXIMBANK

SUMMARY: PRIME MINISTER WILLIAMS HAS PRESENTED PARLIAMENT WITH AN EXTENSIVE "SHOPPING LIST" OF MAJOR INDUSTRIAL PROJECTS WHICH THE GOTT HOPES TO UNDERTAKE WITH JAPANESE AND U.S. FIRMS. MANY FACT-FINDING AND NEGOTIATING TEAMS ARE EXPECTED IN TRINIDAD DURING THE COMING WEEKS, WHICH WILL PUT A HEAVY STRAIN ON THE GOTT'S NEGOTIATORS AND TECHNICIANS, FEW OF WHOM HAVE ANY REAL DEPTH OF KNOWLEDGE IN THE INDUSTRIES UNDER DISCUSSION. THE PM SPOKE ENTHUSIASTICALLY OF FINANCING EXPECTED FROM JAPAN'S EXPORT-IMPORT BANK, TO WHICH HE SENT A REQUEST FOR FINANCING A WIDE VARIETY OF JOINT-VENTURE PROPOSALS RANGING FROM STEEL TO PETROCHEMICALS TO SHIPBUILDING. AT THE SAME

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PAGE 02 PORT O 02941 191609Z

TIME, A SENIOR GOTT OFFICIAL PRIVATELY CRITICIZED THE U.S.

EXPORT-IMPORT BANK FOR THE TERMS AND CONDITIONS NOW OFFERED. ALTHOUGH JAPAN DOUBTLESS WILL OFFER TO FINANCE SOME PROJECTS, THE EMBASSY SUSPECTS THAT THE GOT IS "SHOPPING AROUND" FOR FINANCING AS WELL AS FOR INVESTMENT PARTNERS. END SUMMARY.

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1. FOLLOWING LENGTHY TRIP TO JAPAN, CHINA AND U.S. BY PRIME MINISTER WILLIAMS, MINISTER OF INDUSTRY AND COMMERCE MAHABIR AND OTHER OFFICIALS, PM REPORTED TO PARLIAMENT ABOUT A NUMBER OF MAJOR INDUSTRIAL PROJECTS WHICH HE DISCUSSED WITH POTENTIAL JOINT-VENTURE PARTNERS IN U.S. AND JAPAN. HIS REPORT ADDED FEW DETAILS TO MEETINGS WITH U.S. FIRMS ALREADY DESCRIBED IN REF (A), WHICH WAS BASED UPON LOCAL PRESS REPORTS. COPIES OF PM'S FULL STATEMENT HAVE BEEN POUCHEO TO STATE, COMMERCE AND EXIM DESK OFFICERS.

2. NEW PROJECTS WITH U.S. FIRMS FORMALLY ANNOUNCED INCLUDE THE FOLLOWING: GOT HAS "APPROVED IN PRINCIPLE" THE PROPOSAL BY KAISER TO BUILD AN AMMONIA FERTILIZER PLANT AND TO PROVIDE EXTENSIVE ASSISTANCE IN AGRICULTURAL DEVELOPMENT, INCLUDING MINORITY GOT PARTICIPATION IN KAISER'S PROPOSED NEW AGRICULTURAL CHEMICALS COMPANY IN THE U.S. PM ALSO ANNOUNCED THAT TENNECO HAS AGREED TO PREPARE FEASIBILITY STUDIES FOR CHEMICAL MANUFACTURING (METHANOL, AMMONIA, URETHANE FOAM, UPGRADED VINYL PRODUCTS, SBR AND CARBON BLACK) AND FOR A NEW LIQUEFIED NATURAL GAS PROJECT (FOR EXPORT TO THE U.S.); AND THAT TENNECO HAS PROPOSED A NUMBER OF AGRICULTURAL PROJECTS INCLUDING FOOD PROCESSING, PACKAGING AND EXPORT MARKETING. OTHER NEW DEVELOPMENTS INCLUDE: AGREEMENT WITH W.R. GRACE FOR GOT TO HOLD 51 PERCENT (INSTEAD OF 50) OF EQUITY IN NEW JOINT-VENTURE TRINIDAD NITROGEN CO. LTD.; THE GOT'S ANNOUNCED INTENTION TO DISCUSS WITH GRACE PARTICIPATION IN GRACE'S WHOLLY-OWNED EXISTING FERTILIZER PLANT (FEDERATION CHEMICALS LTD.); AND GOT INTEREST IN USING THE KAISER INTERNATIONAL MEDICAL FOUNDATION FOR ASSISTANCE IN HEALTH.

3. NOTWITHSTANDING ABOVE LIST OF ANNOUNCEMENTS, MAIN THRUST OF PM'S PRESENTATION WAS INTENSE JAPANESE INTEREST WHICH HIS TEAM FOUND BOTH IN INVESTMENT PROPOSALS AND EXPORT FINANCING. WILLIAMS MET WITH LIMITED OFFICIAL USE

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PAGE 03 PORT O 02941 191609Z

THE PRESIDENT OF JAPAN'S EXPORT-IMPORT BANK, WHOM HE QUOTED AS SAYING "JAPANESE INVESTORS AND INDEED THE EXPORT-IMPORT BANK CONSIDER TRINIDAD AND TOBAGO A SAFE AREA FOR INVESTMENT." THE PM SAID THAT THE JAPANESE EXPRESSED LITTLE INTEREST IN INVESTMENT GUARANTEES AND "IN PARTICULAR, SEE NO TERRORS IN JOINT VENTURES" WITH THE GOT. WILLIAMS NOTED, HOWEVER, THAT FINANCING PROVIDED BY THE EXPORT-IMPORT BANK OF JAPAN WOULD NOT BE "ON TERMS NORMALLY GIVEN TO DEVELOPING COUNTRIES" IN VIEW OF GOT'S HEALTHY ECONOMIC POSITION.

(WILLIAMS POINTEDLY NOTED THAT THE GOTTS HAS BEEN TOLD THE SAME THING BY THE INTERNATIONAL FINANCIAL INSTITUTIONS.)

4. WILLIAMS MADE PUBLIC A MEMORANDUM WHICH HE HAS SENT TO THE JAPANESE EXPORT-IMPORT BANK LISTING A NUMBER OF JOINT-VENTURE PROJECTS WITH JAPANESE COMPANIES WHICH THE GOTTS HOPES THE EX-IM BANK WILL CONSIDER FOR FINANCIAL ASSISTANCE. THESE PROJECTS INCLUDE A STEEL MILL, THE ALUMINUM SMELTER, SYNTHETIC FIBERS, FERTILIZER/METHANOL, STOCKFEED FROM MOLASSES, PORT DEVELOPMENT, SHIPBUILDING, WATERWORKS, FISH MEAN, ELECTRONICS, AND AUTO ASSEMBLY.

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5. A FEW DAYS AFTER THE PM'S PRESENTATION, GOTTS FINANCE MINISTRY PERMANENT SECRETARY RAMPERSAD CALLED EMBOFF TO COMPLAIN ABOUT TERMS AND CONDITIONS OF EXPORT FINANCING OFFERED BY THE U.S. EXIMBANK. HE REFERRED TO "EXCELLENT" OFFERS OF FINANCING WHICH THE PM AND HIS TEAM HAD RECEIVED IN JAPAN AND ADDED THAT THE FRENCH HAVE ALSO OFFERED VERY COMPETITIVE FINANCING. (RAMPERSAD COMMENTED THAT FRANCE WILL PROVIDE UP TO 80 PERCENT FINANCING, WHICH HE SAID IS CONTRARY TO DAC RULES.) ACCORDING TO THE PERMSEC, U.S. EXIM FINANCING, NOW WITH HIGHER RATES, HIGHER GUARANTEE FEES, AND LOWER PROPORTION AVAILABLE, IS NO LONGER CONCESSIONAL. HE PARTICULARLY OBJECTED TO A NEW PARI PASSU REPAYMENT REQUIREMENT, SAYING THAT THIS FORCED RECALCULATION OF THE ECONOMICS OF A NUMBER OF PROJECTS, INCLUDING THE STILLPENDING W.R. GRACE JOINT VENTURE NITROGEN FERTILIZER PLANT. EMBOFF NOTED THAT EX-IM POLICY CHANGES STEMMED FROM STRONG CONGRESSIONAL CONCERN OVER CONCESSIONARY FINANCING, AND POINTED OUT THAT EX-IM HAD RECENTLY APPROVED PRELIMINARY COMMITMENTS FOR TWO U.S. BIDDERS ON 600-MEGAWATT POWER PLANT, THUS INDICATING EX-IM'S CONTINUED INTEREST IN FINANCING U.S. EXPORTS TO TRINIDAD. RAMPERSAD REPEATED THAT TERMS OFFERED BY EX-IM SEVERELY AFFECTED COMPETITIVENESS OF U.S. SUPPLIERS.

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PAGE 04 PORT O 02941 191609Z

6. COMMENT: AS HAS BEEN THE CASE WITH OTHER ANNOUNCEMENTS MADE BY THE PRIME MINISTER ABOUT FORTHCOMING INVESTMENT PROJECTS, WE SUSPECT THAT THE PARLIAMENTARY REPORT MAY BE PREMATURE AND OVER-OPTIMISTIC, AND PROBABLY REPRESENTS THE GOTTS "SHOPPING LIST" FOR THE TRIP. NONETHELESS, NO LESS THAN 15 VISITING MISSIONS OR FACT-FINDING STUDIES ARE NOW PENDING, A PROSPECT WHICH WILL SORELTY TAX THE GOTTS ABILITY TO FIELD NEGOTIATORS AND TECHNICIANS CAPABLE OF DEALING WITH THE COMPLEX PROJECTS UNDER CONSIDERATION. WITH REGARD TO EXPORT FINANCING, WE DO NOT DOUBT THAT AVAILABILITY OF FINANCING WILL BE A VITAL CRITERION IN GOTTS SELECTION OF JOINT VENTURE PARTNERS. IT SEEMS UNLIKELY, HOWEVER, THAT THE JAPANESE COULD OR WOULD FINANCE THE WHOLE BASKET OF PROJECTS, AND WE URGE CONTINUED CONSIDERATION BY THE U.S. EXIMBANK OF PROPOSALS BY PROSPECTIVE

U.S. INVESTORS IN TRINIDAD' S INDUSTRIAL DEVELOPMENT.

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